Q. **Reference: SWOP Replacements (2027-2028), Response to PUB-NLH-060**

Please explain why the application for the SWOP Replacement Project should not be deferred until the project is at the point of awarding an RFP for implementation.

A. Newfoundland and Labrador Hydro ("Hydro") applies to the Board of Commissioners of Public Utilities ("Board") for approval of capital expenditures for construction, purchase or lease of improvements or additions to its property in advance of making those expenditures, as directed by Section 41(3) of the *Public Utilities Act*. Depending on the project, substantial engineering, planning, and procurement proposal preparation are necessary before issuing a Request for Tenders or Request for Proposal ("RFP"). Significant evaluation activities may also be necessary, depending on the project, before an RFP can be issued. To defer an application for a capital expenditure until the point where Hydro is about to award an RFP would mean that all of the above work would have taken place before Board review and approval of the Project.[1] Delaying review of the proposed project until the RFP award stage would mean the expenditure of possibly considerable resources on a project that may ultimately not proceed, and where a denial of approval could render those expenditures unrecoverable.

There are also implications for the procurement process itself, which Hydro must balance against the risk of recovery. Proponents typically hold pricing for only a limited period, particularly for information technology hardware and software where quotations are often valid for between seven and 30 days due to market conditions, evolving technology, and supply chain considerations. If Hydro were to complete an RFP process, identify a preferred proponent, and then file an application, proceed through a regulatory review process, and await a regulatory decision, there would be significant risk of expiry of pricing and commercial terms. Knowing that there could be a substantial amount of time between the closure of the RFP process and the award would likely also have significant implications for the number of proponents who would

[1] In 2025 and 2026, Hydro filed Early Execution applications for certain Major Projects (projects costing $50 million or greater) to allow for this early work, including some procurement, to proceed to protect against schedule impacts and cost increases.

participate in the process. In Hydro's experience, issuing RFPs before projects receive full regulatory approval can discourage bidders, reduce competition, and increase costs for customers.

Accordingly, Hydro does not believe it would be prudent to defer a project application, including the Safe Workplace Observation Program ("SWOP") Replacement Project application, until the project is ready to award an RFP for implementation. While Hydro's procurement approach may vary depending on the circumstances of a particular project, Hydro believes that obtaining Board approval prior to issuing an RFP for the scope of work is the most prudent and efficient approach, in compliance with the *Public Utilities Act*. It allows the Board to assess the need, scope, costs, and alternatives associated with the SWOP Replacement Project before Hydro incurs significant implementation-related expenditures, while also ensuring that once approval is obtained Hydro can proceed with procurement activities in a manner that preserves competitive pricing and minimizes overall costs for customers.